



Department of Environmental Quality

To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.



Dave Freudenthal, Governor

John Corra, Director

April 17, 2007

CERTIFIED MAIL

Mr. William C. Liedtke III
Vice President and General Counsel
Windsor Energy Group
14313 North May Avenue, Ste 100
Oklahoma City, OK 73134

RE: Settlement Agreement
Notice of Violation, Docket 3994-06
Crosby 25-3 Well

Dear Mr. Liedtke:

The two signed Settlement Agreements were received March 30, 2007. They have been reviewed and signed by the WDEQ Director and Water Quality Division Administrator. One signed original settlement agreement document for the Crosby 25-3 Well is enclosed for your files.

Sincerely,

Kevin Frederick
Groundwater Program Manager
Water Quality Division

KDF/bb/7-0316.LTR

Enclosure: Signed Settlement Agreement

xc: Mark Thiesse, WQD, Lander



Windsor Energy Group LLC

March 29, 2007

RECEIVED
MAR 30 2007

Mr. Kevin Frederick
Groundwater Section Manager
Department of Environmental Quality
Water Quality Division
Herschler Building, 4th Floor-West
122 West 25th Street
Cheyenne, WY 82002

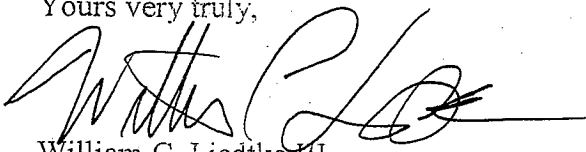
Re: Settlement Agreement - Wyoming Department of Environmental Quality and
Windsor Energy Group, L.L.C.

Dear Mr. Frederick;

Enclosed are two executed original copies of the Settlement Agreement between the Wyoming Department of Environmental Quality and Windsor Energy Group, L.L.C. Upon execution by the representatives of the Wyoming Department of Environmental Quality, please return one executed original to my attention.

We look forward to continuing to work with your agency in resolution of this matter.

Yours very truly,



William C. Liedtke III
Vice President and General Counsel

WCL/s

Encl.

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Water Quality Division (WDEQ/WQD) and Windsor Energy Group, L. L. C. ("Windsor") enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in Notice of Violation (NOV) No. 3994-06, dated 19 January, 2006.

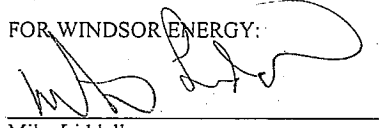
W.S. 35-11-901(a)(ii) authorizes the WDEQ to negotiate a stipulated settlement in lieu of litigation. To that end, Windsor Energy and the WDEQ/WQD hereby stipulate and agree as follows:

1. The WDEQ, pursuant to W.S. §35-11-104, is a department in the executive branch of the state government of Wyoming and is principally situated in Cheyenne, Wyoming. The WDEQ is the agency with the responsibility for administering the Wyoming Environmental Quality Act ("Act") including all provisions of the Wyoming Water Quality Rules and Regulations ("WWQRR").
2. NOV #3994-06 alleges that Windsor is in violation of Chapter VIII, Section 4(d) of Water Quality Division Rules and Regulations by discharging hazardous, toxic or potentially toxic materials or substances into groundwater in concentrations or amounts which exceed maximum allowable concentrations.
3. W.S. 35-11-301(a) provides that no person, except when authorized by a permit issued pursuant to the provisions of the act, shall cause, threaten or allow the discharge of any pollution or wastes into the waters of the state.
4. Windsor has neither applied for, nor received a permit to discharge pollution into waters of the state.
5. NOV #3994-06 alleges that Windsor is in violation of W.S. 35-11-301(a)(i) for discharging pollution into waters of the state without a permit.
6. Windsor agrees, through participation in the Voluntary Remediation Program (VRP) pursuant to W.S. 35-11-1601, et seq., to investigate the extent of contamination caused by the release of pollutants described in the NOV, and to clean up all contamination resulting from that release that is present in soil and groundwater in concentrations or amounts that exceed WDEQ standards.
7. Windsor agrees that within thirty (30) days after the effective date of this Settlement Agreement it will provide the WDEQ with financial assurance in the form of a surety bond on WDEQ forms in the amount of \$300,000.00 to ensure that funds are available to the WDEQ in the event that Windsor fails or is financially unable to timely and fully complete the investigation of soil and groundwater contamination resulting from the release. Windsor may subsequently request that the WDEQ reduce the bond amount based on the amount of investigation work completed, and the amount of investigation work that the WDEQ believes remains to be performed.
8. In addition to the bond, Windsor agrees to pay \$ 2,812.50 to the WDEQ to resolve this matter in lieu of litigation under W.S. §35-11-901(a)(ii). All payments are due and payable within thirty (30) days of the effective date of this Settlement Agreement or by April 30, 2007, whichever occurs first. Payment to the WDEQ shall be by check made payable to the Wyoming Department of Environmental Quality, Water Quality Division, noting Docket No. 3994-06, and shall be sent to: Mr. Kevin Frederick, Groundwater Section Manager, Department of Environmental Quality, Water Quality Division, Herschler Building 4th Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002.
9. Full compliance with this Settlement Agreement, including payment by Windsor as specified above, shall constitute full satisfaction for and resolution of all claims by the WDEQ against Windsor based on the violations alleged in NOV Docket Number 3994-06. Contingent upon Windsor's full compliance with the terms of this Settlement Agreement, the WDEQ will refrain from taking further enforcement action against Windsor for these particular alleged violations.
10. Windsor waives any statute of limitations which may apply to an enforcement action by the WDEQ involving the specific matters described in NOV Docket Number 3994-06 in the event that Windsor fails to fulfill its obligations under this Settlement Agreement.
11. Nothing in this agreement precludes the WDEQ from taking additional enforcement action, including pursuing additional penalties, should Windsor violate the Act or applicable rules and regulations in the future.
12. By entering into this Settlement Agreement or by taking any action in accordance with its provisions, Windsor does not admit any allegations, findings, determinations or conclusions contained in this Agreement or in NOV Docket Number 3994-06, nor is this a retraction by the WDEQ of the specific

allegations in NOV Docket Number 3994-06. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Windsor may have against any entity.

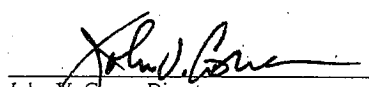
13. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.
14. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and the WDEQ do not waive sovereign immunity by entering into this Settlement Agreement with Windsor and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
15. Each party shall bear its own attorney fees and costs, if any, incurred through the effective date of this Settlement Agreement.
16. Windsor agrees to comply with and be bound by the terms of this agreement and further agree they will not contest the basis or validity of this Settlement Agreement in any action taken by the WDEQ to enforce the terms of this Settlement Agreement. This Settlement Agreement is binding upon Windsor Energy, its successors and assigns, and upon the WDEQ.
17. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement. The effective date of this Settlement Agreement shall be the latest date of all parties signing.

FOR WINDSOR ENERGY:

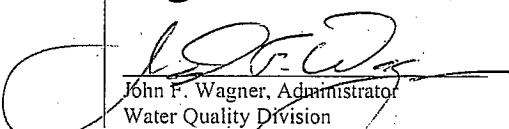

Mike Liddell
President and Chief Executive Officer

Date: 3/28/07

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:


John V. Corra, Director
Department of Environmental Quality

Date: 4/13/07


John F. Wagner, Administrator
Water Quality Division

Date: 4/13/07

cc: Kevin Frederick ► Mark Thiesse
IPS (for scanning) ► Docket 3994-06
Keith Guille, DEQ Public Information Officer (PDF File of signed copy by all parties)